

## Commercial Inland Marine

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**Commercial Inland Marine**

Notices of cancellation and nonrenewal - Property & Casualty only	KRS 304.20-300 through 350, 806 KAR 20: 010	14 days in advance of effective date of cancellation if for non-payment of premium or if policy in force 60 days or less. 75 days' notice for nonrenewal and all other cancellations. Termination is a cancellation or nonrenewal of coverage in whole or in part. Movement between companies is a termination and Insured must be given 75 days' notice. Specific reason(s) must be given in the notices.
Declination or termination prohibited - Property & Casualty only	KRS 304.20-310(3) and (4), KRS 340. 20- 340, KRS 304.12-085	The declination or termination by an insurer or agent is prohibited if the declination or termination is based solely upon the: <ul style="list-style-type: none"> <li>• Race, color, religion, nationality, national origin, ethnic group, age, sex or marital status of the applicant or named insured.</li> <li>• Lawful occupation or profession of the applicant or named insured, except that this provision shall not apply to an insurer which limits its market to one (1) lawful occupation or profession or to several related lawful occupations or professions or to an insurer that does not provide the kind of insurance sought by the applicant.</li> <li>• Fact that another insurer previously declined to insure the applicant or terminated an existing policy in which the applicant was the named insured</li> <li>• Fact that the applicant or named insured previously obtained insurance through a residual market mechanism.</li> <li>• Fact that the insured has previously obtained property or casualty insurance from a carrier providing nonstandard coverage; OR</li> <li>• Fact that the insured has sustained one (1) or more losses that immediately result from a natural cause without the intervention of any person and that could not have been prevented by the exercise of prudence, diligence, and care.</li> </ul>
15 day notice of policy expiration - Property & Casualty only	KRS 304.20-320(3)(c)	When a policy terminates because the renewal premium was not received on or before the due date, the insurer shall mail a notice within 15 days stating that the policy was not renewed. Notice shall include the date on which the coverage ceased to exist.
Policy period defined - Property & Casualty only	KRS 304.20-310	Policy periods less than 6 (six) months will be considered to be 6 (six) months and policies without an expiration date will be considered to be 1 (one) year.
Notice of renewal - Property & Casualty only	KRS 304.20-035	Must give 30-day notice of renewal or 7 days for a policy period of less than 30 days.
Unreimbursed Deductibles -- Property & Casualty only	KRS 304.14-030, KRS 304.20-310, KRS 304.20-330	Unreimbursed deductibles do not constitute premium and the insured's failure to repay claim deductibles and claim expenses is not an allowable reason for cancellation
<b>Contents of Policies and other forms</b>		
Required policy contents	KRS 304.14-150	Every policy shall specify: <ul style="list-style-type: none"> <li>• The names of the parties to the contract</li> <li>• The subject of the insurance</li> <li>• The risks insured against</li> <li>• The time when the insurance thereunder takes effect and the period during which the insurance is to continue</li> <li>• The premium</li> <li>• The conditions pertaining to the insurance</li> <li>• Benefits payable</li> </ul>
Ambiguous, inconsistent, misleading language prohibited, and substantial legibility required	KRS 304.14-130 (1)(b)(c)	Forms shall not: (1) contain any inconsistent, ambiguous or misleading clauses, or exceptions and conditions which deceptively affect the risk purported to be assumed in the general coverage of the contract or (2) contain any title, heading, or indication which is misleading, or be printed in a size of type or manner of reproduction so as to be substantially illegible.
English language requirement	KRS 304.14-435	All policy forms and any other insurance policy or claim-related information shall be written in the English language.
Agreements part of the contract	KRS 304.14-180	Agreements in conflict with, modifying, or extending the contract must be made part of the policy.

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Blank endorsements are prohibited	KRS 304.14-120, 806 KAR 14:006, Memo 12-15-95	Endorsements containing blanks where the policy may be amended are not permitted, because all policy language, terms and conditions, etc. must be submitted for prior approval. We will, however, accept a form with the following stipulations: <ul style="list-style-type: none"> <li>Underwriting rule pages showing the use of the endorsement must accompany the endorsement filing;</li> <li>A disclaimer must be in a prominent position on the endorsement indicating, "This endorsement will not be used (a) to impede, restrict, amend or otherwise revise any provisions, exclusions, conditions or other terms of the policy to which it is attached or (b) as a renewal certificate;" AND</li> <li>The endorsement must include a signature and date line for the insured's acknowledgement.</li> </ul> The only other way the form will be accepted is where the numbered form lists all possible changes for which it will be used and is approved. The form may be computer generated and only print out the change(s) necessary for a particular insured; however, all changes that may at any time be used must be filed and approved before use of the form.
Insurable Interest, property	KRS 304.14-060	No contract of insurance of property or of any interest in property or arising from property shall be enforceable as to the insurance, except for the benefit of persons having an insurable interest in the things insured as at the time of loss. When the name of a person intended to be insured is specified in the policy, such insurance can be applied only to his proper interest.
Conformity clauses	KRS 304.14-130 (1)(a)	Forms shall not be approved if they are in any respect in violation of or do not comply with KY law. The presence of a conformity clause will not bring about approval of otherwise non-compliant policy provisions.
Grouping for preferential treatment	806 KAR 14:090	The grouping of persons or risks for preferential treatment in insurance rates or forms is prohibited unless filed and approved.
Group certificates	806 KAR 14:060	Group certificates must be filed and approved.
Certificates issued to third parties	806 KAR 14:100	Shall include the following or similar statement: "This certificate or memorandum of insurance neither affirmatively nor negatively amends, extends, or alters the coverage afforded by policy number _____ issued by _____."
Policies may be assignable or not	KRS 304.14-250	A policy may be assignable or not assignable as provided by its terms.
Jurisdiction of courts	KRS 304.14-370	No conditions in policies may limit the jurisdiction of Kentucky courts.
Venue of suit against insurers	KRS 304.14-380	Suit upon causes of action arising within this state against an insurer upon an insurance contract shall be brought in the county where the cause of action arose or in the county where the policyholder instituting the action resides.
Limitation of suits against insurer not less than one year	KRS 304.14-370	No conditions in policies may limit the time for commencing actions against insurers for a period of less than one year.
<b>Dividend Plans</b>		
Dividends payable to individual members, Dividends not guaranteed	KRS 304.14-290, 806 KAR 14:030	Every insurer, issuing participating policies, shall pay dividends, unused premium refunds or savings distribution on account of any such policy only to the real party in interest entitled. Dividends payable under participating policies shall not be guaranteed.
Dividend plans filings, participation	806 KAR 14:110	<ul style="list-style-type: none"> <li>Insurer must identify and group policyholders contributing to such savings into specific classifications.</li> <li>Insurer must file dividend plans in "same manner as a rate filing"</li> <li>Cannot propose both participating and nonparticipating policies for the same class of risk.</li> <li>Plan must be made available to all insureds meeting the eligibility requirements.</li> <li>Agents licensed by one or more companies of a group must also be licensed by the company within such group authorized to write dividend plans, if such agent does not write such participating policies.</li> <li>Initial filing must contain either satisfactory evidence of proper specific charter (defined in KRS 304.3-050), authority to issue participating policies, or satisfactory evidence that the laws of its domicile provide that it may issue policies entitled to participate in the earnings of the insurer through dividends.</li> <li>Filing must also contain proposed policy provisions or proposed policy endorsement form for payment of dividends, which must also provide that all such dividends must be paid directly to the insured.</li> <li>Dividends must be paid only out of that part of the surplus funds derived from any realized net profits from insurer's business.</li> <li>Brochures and advertising materials must affirmatively and clearly set forth that dividends are not guaranteed and that all policyholders are eligible for the dividend program whether or not they are members of, or affiliated with, any association.</li> </ul>
<b>Filing Standards</b>		
Prior approval; exempts specially rated risks which are a nonfiled class	KRS 304.14-120	Exempting specially-rated inland marine risks, no policy form, application made a part of the policy, rider, endorsement, certificate, etc. shall be delivered until approved.
Forms disapproved or withdrawn	KRS 304.14-120 and 130(2) Bulletin 2001-3	Disapproved filings require a new filing submitted with appropriate fees and forms. The insurer shall not use in this state any form after disapproval or withdrawal of approval.

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Filing document set	KRS 304.14-120, 806 KAR 14:006, Bulletin 2001-3	<p>Filings must be submitted with two (2) full document sets and three (3) transmittal documents, per insurer (except where group filing is being made), per line of insurance. Each document set must contain the following properly completed forms and information:</p> <ul style="list-style-type: none"> <li>• F-1A, P&amp;C, per insurer (except only one is need per group filing), per line of insurance</li> <li>• F-1G, P&amp;C, where group filing is being made</li> <li>• The company's transmittal document setting forth the changes</li> <li>• Synopsis Form S-2</li> <li>• F-2 P&amp;C (Forms Index Sheet) properly completed for each column. Forms must be filed separately from rates and rules.</li> <li>• The company's documents that are being revised/submitted</li> </ul> <p>Each filing must also contain the proper filing fees per company per line of insurance and a self-addressed, stamped envelope. Once a filing is acted upon by the department, it may be amended only by submitting a complete new filing.</p>
Fees collected in advance	KRS 304.4-010	Fees collected in advance or within 15 days of electronic submission.
Retaliatory provision	KRS 304.3-270	When fees, taxes, fines, etc. charged by the state of domicile are in excess of Kentucky fees, then the domicile state's fees apply.
<b>Liberalization Clause</b>		
Liberalization	KRS 304.14-180, 806 KAR 14:050	If additional benefits are afforded to policyholders of an insurer which do not require increases in premium rates or reductions of coverage, such benefits shall also be afforded to all prior policyholders paying the same rates.
<b>Loss Settlement</b>		
Proof of Loss forms	KRS 304.14-270	Insurers shall furnish proof of loss forms upon written request of any person.
Liability deductibles eroding limit of liability	KRS 304.14-130	Prohibited as misleading and deceptively affecting the risk purported to be assumed in the general coverage of the contract for Deductible policies, but not applicable with Retention policies.
Claim payment offset by premium due prohibited	KRS 304.12-230(5), (6), (8)	Any attempt by a carrier to offset the amount it owes on a claim by the amount of premium an insured owes could be an unfair denial of a claim. The insured has a reasonable expectation that if the claim is covered, coverage will be provided up to the limits of the policy.
HIV Exclusion, Limits, or Different Terms or Conditions	KRS 304.14-130 (1)(e)	HIV shall not be excluded or treated differently than other sicknesses or medical conditions.
Domestic violence / innocent co-insured	KRS 304.12-211	Insurers are prohibited from using the fact that an applicant or insured sustained bodily injury resulting from domestic violence or abuse as the sole basis for rating and underwriting decisions or to limit the amount or kind of coverage available. Furthermore, if a policy excludes property coverage for intentional acts, the insurer may not deny payment to an innocent co-insured if the loss occurred because of domestic violence or abuse and the perpetrator of the loss is criminally prosecuted for the act causing the loss. Payment to the innocent co-insured may be limited to their ownership interests in the property as reduced by any payments to a secured interest.
Time for payment of claims	KRS 304.12-235	Claims to be paid in 30 days or interest owed.
<b>RATES and RULES</b>		
<b>Advisory Organizations and Statistical Agents</b>		
Adopting by reference, Blanket reference or Filing authorization	KRS 304.13-051, KRS 304.13-061, KRS 304.13-121, 806 KAR 13:150, Bulletin 2001-3	<p>When an insurer chooses to adopt one or more specific filings of an AO or SA, it shall do so in accordance with the usual filing procedures and shall clearly identify which filing(s) it is adopting. Reference to items must always be made using the AO or SA filing reference number, not the circular number. Adoption of rules more than 2 years old shall include copies of the rules for review for current compliance.</p> <p>When an insurer chooses to adopt ALL of the loss costs and/or rules of an AO or SA, it may either provide written authorization to AO or SA, who must in turn file the authorization with the department, or the insurer must file written notice of "blanket reference adoption" with the department that it is adopting by reference all of the current and future filings by the AO or SA.</p> <p>Duplication of loss costs expenses is not permitted if already included in AO or SA loss cost filings.</p>
Delaying adoption or non-adoption	KRS 304.13-051, KRS 304.13-061, KRS 304.13-121, 806 KAR 13:150, Bulletin 2001-3	When an insurer has previously adopted all loss costs and rules of an AO or SA and chooses to delay the effective date of a new release, the insurer may submit a letter and specify an adoption date within 6 months of the advisory effective dates. A second letter may be submitted with a new date within one year from the original advisory effective date. If the insurer will not adopt within one year, a complete filing is required to non-adopt. Insurers will not be permitted to delay adoption or non-adopt releases bringing rules into compliance with the law without making similar independent changes bringing their rules into compliance.
<b>Dividend Plans</b>		

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Dividends payable to individual members, Dividends not guaranteed	KRS 304.14-290, 806 KAR 14:030	Every insurer, issuing participating policies, shall pay dividends, unused premium refunds or savings distribution on account of any such policy only to the real party in interest entitled. Dividends payable under participating policies shall not be guaranteed.
Dividend plans filings, participation	806 KAR 14:110	<ul style="list-style-type: none"> <li>• Insurer must identify and group policyholders contributing to such savings into specific classifications.</li> <li>• Insurer must file dividend plans in “same manner as a rate filing”</li> <li>• Cannot propose both participating and nonparticipating policies for the same class of risk.</li> <li>• Plan must be made available to all insureds meeting the eligibility requirements.</li> <li>• Agents licensed by one or more companies of a group must also be licensed by the company within such group authorized to write dividend plans, if such agent does not write such participating policies.</li> <li>• Initial filing must contain either satisfactory evidence of proper specific charter (defined in KRS 304.3-050), authority to issue participating policies, or satisfactory evidence that the laws of its domicile provide that it may issue policies entitled to participate in the earnings of the insurer through dividends.</li> <li>• Filing must also contain proposed policy provisions or proposed policy endorsement form for payment of dividends, which must also provide that all such dividends must be paid directly to the insured.</li> <li>• Dividends must be paid only out of that part of the surplus funds derived from any realized net profits from insurer’s business.</li> <li>• Brochures and advertising materials must affirmatively and clearly set forth that dividends are not guaranteed and that all policyholders are eligible for the dividend program whether or not they are members of, or affiliated with, any association.</li> </ul>
<b>Filing Standards</b>		
Rates & rate information	KRS 304.13-051, 057, 041	No rate filing is required; however, periodic requests for rate information may be made by the Department.
Rating Manuals & Underwriting Rules	KRS 304.13-051	All manuals and underwriting rules must be filed within 15 days of the effective date. Manuals, rules, and guidelines must be adhered to until amended. To the extent underwriting guidelines regarding the bases on which risks are acceptable are considered proprietary and confidential, it must be clearly marked on the filing and an explanation of the reason(s) the information is proprietary and confidential must be included. Information relative to premium determination is never propriety. Filings disapproved may not be used until a new filing is submitted with all appropriate fees and forms.
Filing document set	KRS 304.13-051, 806 KAR 13:150, Bulletin 2001-3	<p>Filings must be submitted with two (2) full document sets and three (3) transmittal documents, per insurer (except where group filing is being made), per line of insurance. Each document set must contain the following properly completed forms and information:</p> <ul style="list-style-type: none"> <li>• F-1A P&amp;C per line of insurance and per insurer (except only one is needed when group filing is being made)</li> <li>• F-1G P&amp;C where group filing is being made</li> <li>• The company’s transmittal document setting forth the changes</li> <li>• S-1, S-3, LC-1, etc. as necessary</li> <li>• The company’s documents that are being revised/submitted</li> </ul> <p>Each filing must also contain filing fees per company per line of business and a self-addressed, stamped envelope, even when group filing is being made.</p> <p>Once the department acts upon a filing, it may be amended only by submitting a complete new filing.</p>
Fees Collected in Advance	KRS 304.4-010	Fees shall be collected in advance or within 15 days if the filing is submitted electronically.
Retaliatory Provision	KRS 304.3-270	When fees, taxes, fines, etc., charged by the state of domicile are in excess of Kentucky fees, then the domicile state’s fees apply.
<b>General Rates and Rules</b>		
Premium defined; fees are included	KRS 304.14-030 & Bulletin 94-3	Premium is the consideration for insurance, by whatever name called. Any assessment or any membership, policy, survey, inspection, service, reinstatement, cancellation or similar fee or other charge in consideration for an insurance contract is deemed part of the premium.
Illegal dealing in premium	KRS 304.12-190	No person shall charge for insurance not provided nor charge any amount in excess of that expended for insurance nor knowingly fail to refund any charge for insurance in excess of the amount actually expended for insurance. Unearned premium shall be refunded upon the request of the insured, even if nominal. Minimum earned premiums and fully earned fees such as policy, membership, reinstatement, cancellation, etc. may be used only when the remaining premium is refunded prorata or under other circumstances with support.
Domestic violence / innocent co-insured	KRS 304.12-211	Insurers are prohibited from using the fact that an applicant or insured sustained bodily injury resulting from domestic violence or abuse as the sole basis for rating and underwriting decisions or to limit the amount or kind of coverage available.
Grouping for preferential treatment	806 KAR 14:090	Grouping of persons or risks for preferential treatment in insurance rates or forms is prohibited unless filed and approved.

## Kentucky Insurance Department Review Requirements Checklist

**8/15/2001**

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Unfair discrimination prohibited • Association discounts • Pricing based on education	KRS 304.12-080, 806 KAR 14:090	Actuarial evidence of difference in risk or expenses must be provided.
HIV Exclusion , Limits, or Different Terms or Conditions	KRS 304.14-130 (1)(e)	HIV shall not be excluded or treated differently than other sicknesses or medical conditions.
Rebates prohibited	KRS 304.12-090and 100	
Flexible commissions prohibited	KRS 304.12-080 and 090	
Illegal inducements to buy insurance prohibited	KRS 304.12-110	Some discounts may be illegal inducements.
Binders permitted and limited	KRS 304.14-220, 806 KAR 14:020	Not valid beyond 90 days of effective date unless subsequently approved, premium must be charged pro-rata and can not be cancelled flat unless cancelled within 15 days of effective date.
<b>Renewal, Nonrenewal, Cancellation, Declination</b>		
Notice of renewal premiums - Property & Casualty only	KRS 304.20-035	Must give at least 30 days' notice, 7 days in the case of a policy with a policy period of 30 days or less, before the end of the policy period.
Premium increase 25% -- Property & Casualty only	KRS 304.20-320(4)	No insurer shall increase the premium more than 25 % of the premium for the preceding policy term for like coverage and like risks unless at least 75 days before the end of the policy period the insurer mails or delivers to the named insured at the last known address a notice for the renewal premium amount.
Reasons permitted for cancellation -- Property & Casualty only	KRS 304.20-310(2) and 330,  KRS 304.14-030	Mid-term cancellations of policies in force more than 60 days can only occur for one of seven reasons: <ul style="list-style-type: none"> <li>• Non-payment of premium</li> <li>• Discovery of fraud or material misrepresentation made by or with the knowledge of the named insured.</li> <li>• Discovery of willful or reckless acts or omissions on the part of the named insured that increase any hazard insured against.</li> <li>• Occurrence of a change in the risk that substantially increases any hazard insured against.</li> <li>• Violation of local fire, health, safety, building or construction regulation or ordinance with respect to any insured property.</li> <li>• The insurer is unable to reinsure the risk.</li> <li>• Determination by the commissioner that the continuation of the policy would place the insurer in violation of the KY insurance code or regulations.</li> </ul> Nonpayment of premium is the failure to discharge any obligation in connection with the payment of premiums. Insured's failure to repay losses and/or LAE within the deductible does not constitute non-payment of premium.
Notices of cancellation and nonrenewal - Property & Casualty only	KRS 304.20-300 through 350, 806 KAR 20-010	14 days in advance of effective date of cancellation if for non-payment of premium or if policy in force 60 days or less. 75 days' notice for nonrenewal and all other cancellations. Termination is a cancellation or nonrenewal of coverage in whole or in part. Movement between companies is a termination and Insured must be given 75 days' notice. Specific reason(s) must be given in the notices.
Declination or termination prohibited - Property & Casualty only	KRS 304.20-310(3) and (4) and 340,	The declination or termination by an insurer or agent is prohibited if the declination or termination is based solely upon the: <ul style="list-style-type: none"> <li>• Race, religion, nationality, ethnic group, age, sex or marital status of the applicant or named insured</li> <li>• Lawful occupation or profession of the applicant or named insured, except that this provision shall not apply to an insurer which limits its market to one (1) lawful occupation or profession or to several related lawful occupations or professions or to an insurer that does not provide the kind of insurance sought by the applicant</li> <li>• Fact that another insurer previously declined to insure the applicant or terminated an existing policy in which the applicant was the named insured</li> <li>• Fact that the applicant or named insured previously obtained insurance through a residual market mechanism.</li> <li>• Fact that the insured has previously obtained property or casualty insurance from a carrier providing nonstandard coverage or</li> <li>• Fact that the insured has sustained one (1) or more losses that immediately result from a natural cause without the intervention of any person and that could not have been prevented by the exercise of prudence, diligence, and care.</li> </ul>
Declination and nonrenewal prohibited	KRS 304.12-085	No person shall, whether acting for himself or another in connection with an insurance transaction, fail or refuse to issue or renew insurance to any person because of race, color, religion, national origin, or sex.
Notice at policy expiration - Property & Casualty only	KRS 304.20-320(3)(c)	When a policy terminates because the renewal premium was not received on or before the due date, the insurer shall mail a notice within 15 days stating that the policy was not renewed. Notice shall include the date on which the coverage ceased to exist.

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Taxes and Fees		
Installment fees and delinquent installment fees	KRS 304.13-051, 806 KAR 13:090, KRS 304.30-090 and 100, 806 KAR 30: 050	Shall be no less favorable than those permitted by premium finance companies. Maximum of \$15 fee plus 12% per annum installment fees. Delinquent fee of \$1 to maximum of 5% of the amount of the delinquent installment late 5 days or more.
Late fees on entire premium	KRS 304.14-030	Maximum of 18% per annum if premium late 30 days or more. Such charges shall be clearly indicated on all bills and statements of account.
Reinstatement fee or change in coverage on expired policy prohibited - Property & Casualty only	KRS 304.20-037	If an insurer has indicated its willingness to renew a policy by mailing to the named insured a notice of the renewal premium and the amount was not paid, the insurer may, in the absence of an increase in the risk insured, reinstate the policy upon the written request of the insured if the request is made within thirty (30) days following expiration. The insurer shall not require, as a condition for reinstatement, an increase in coverage amount or the premium charge above that which was stated in its renewal offer.
Fully earned MGA policy fees for underwriting expenses	KRS 304.13-171	The fee shall only be collected if coverage is provided and shall be deemed fully earned. The fee shall be submitted for prior approval.
Local government premium tax	KRS 91A.080, 806 KAR 2:096 and 097, annual July Bulletin	If filed, they must be current and accurate. Must be disclosed on title page of policy issued for the first time when the tax is charged.
Premium surcharge	KRS 136.392, 806 KAR 2:100	Must be disclosed on dec page of policy issued for the first time when the surcharge is charged.